G. R. S. 58]

Previous references.
H. nos 1047, Feby 1915

File No. 71-14

1915.
(G. Fd)

Serial Nos. 27 & 38

Later references.
G. Fe. 114-15 H. 1, B. Dec. 1915.
G. F. 62-15 H. 1. B. Jan. 17

GENERAL AND REVÉNUE SECRETARIAT.

Serial Nos. 27 and 38

P 37/E1

Part B for August 1915

SUBJECT.

Revised Wayz and Means Forecast for the years 1914-15 and 1915-16.

Sl. 38:- From the Comptroller
Letter No. 157/R&R 12 Dated 7/8 Aug. July 1915.

Reports that the result of his enquiries of the Presidency Banks in the matter of obtaining funds from them for financing State Treasuries & capital works and suggests certain arrangements for the approval of Govt.-

W D1351—GPB—20,000—13-12-15

N.B. Filed without any final orders, as the matter has been separately dealt with & finally settled.

m. Kathawate 18-1-1916.

G. R. S. 11] 1915.

GENERAL AND REVENUE SECRETARIAT.

(G.F.)

NOTES.

File No. 71-14

FILE HEADING.

Revised ways and means Forecast for the years 1914-15 and 1915-16.

From

No.	Dated	Received

Diary No.	Enclos.	Spare Copies.	Serial No.

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

P.J.O.

NOTES—First Sheet.

GPB—20,000—8-8-14

For disposal at a Meeting.

3

No. C. 502.

6.4.1915.

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

50 Revised Ways and Means Forecast for the years 1914-15 and 1915-16.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

Deputy *Secretary to Government.*

5th April 1915.

Extraordinary Member of Council. 9.4.15.

First Member of Council. Seen by First member. 7/4

Second Member of Council. 6/4

GPB—1,000—28-8-14

GPB—1,000—19-7-13

(4)

Extract from the Proceedings of the 349th Meeting of the Council of His Highness the Maharaja, held at Bangalore on the 14th April 1915.

3. SUBJECT.- (Outside the schedule.)

Revised Ways and Means forecast for the years 1914-15 and 1915-16.

OPINION OF THE COUNCIL.

The draft order may be approved.

(Sd.) M.VISVESVARAYA.
Dewan of Mysore.

"Extract"

Dy. Secretary to Govt.

16

Submitted to His Highness.

Paper under disposal.

The Comptroller submits a revised Ways and Means forecast for the years 1914-1915 and 1915-1916 and states that as at present estimated, about eighty lakhs will have to be borrowed between 1st July 1915 and 29th February 1916, for carrying on treasury operations and for financing the special 'Capital' works. He considers that the best method of obtaining this sum, in the present state of the money market, is by borrowing from Presidency Banks at 4½ to 5½ per cent interest.

2. We have enough funds of our own to carry on all our works in the coming year, but the bulk of them is invested in Government of India Securities which are unsaleable at present except at a loss.

Draft for approval.

3. The draft of an order which the Council has agreed to, authorising the Comptroller to make enquiries of the Presidency Banks as to the terms on which they are prepared to lend the required sum to Government, is submitted for His Highness's approval. We must be prepared for borrowing; but it may not be found necessary in actual practice to borrow to the extent indicated.

M. Viswaraya -
21st April 1915

G. R. S. 12]

General and Revenue Secretariat.

C-S File No. 71 of 191 14-15

Serial No.	
27	To the Comptroller. G.O. dd 5-6.84 dt 10th May 1915, Sanctioning generally approving of the proposals of the Comptroller regarding the revised Ways & Means Forecast for 1915-16 and of his making enquiries of the Presidency Banks as suggested
38	From the Comptroller - Letter No 151/BTR 12 dated 7/8 giving reporting in reply W.S. 27, the result of his enquiries of the Presidency Banks in the matter of obtaining funds from them for financing State Treasuries & Capital works & suggesting certain arrangements for the approval of Govt.
	(17) The letter gives the details of 'Ways & Means' arrangements
	(18) Subs for orders, with draft to Govt. approving the arrangement proposed
39	Dewan

13/7

13/7

NOTE—Contn. sheet.

GPB—25,000—30-4-15

298
19.7.15

G. R. S. 12]

General and Revenue Secretariat.

G.I.E. File No. 71 of 1915.

Serial No.	
	20 This is practically the only course open to us & may be sanctioned. (Submit to H.H.) 20/7/15
	21 This matter has already been separately dealt with & [illegible] 5.8.15.
	22 As this matter has separately been dealt with & finally settled may a reply to Natesan's letter be sent to the Comptr or may this be filed
	23 This may be filed with a note of the views passed in the case referred to above.

NOTE—Contn. sheet.

GPB—25,000—30-4-15

Dear Mr Narasimhaiya,

The accompanying files were received in the Dewan's Office as reference files in connection with the latest forecast. The draft order about the latter having already been returned with orders, the accompanying files, which have however remained here are now returned to the Branch.

B. V. Lakshmanarao
20. 12. 15

*

1. H mis 1047-14-15 7. February 15.
2. G.O. no H 4275-84 G. 7. 133-13-2 & 19. 3. 1914
3. G.O. no H 7281-326 G.7. 183-12-1 & 17. 6. 13
4. G. 7. 71-14 fls ~~2~~ 38 and other references unrecorded.

Imptd Rec'd 22.3.15

D. O. No.

OFFICE OF THE COMPTROLLER,
MYSORE GOVERNMENT,

Bangalore, dated 20th March 1915

My dear sir,

I beg to send you herewith my Revised Ways and Means Forecast for the current and the next official years. I beg that the proposals contained therein, may be generally approved.

In this connection, I shall submit a small supplementary note in the course of a few days, after taking ~~orally~~ oral instructions from you. That need not however, delay the issue of orders on the notes now submitted.

Yours sincerely,

J Chakravarti

M. Visvesvaraya, Esq., B.A., C.I.E.,

Dewan of Mysore.

CONFIDENTIAL

Revised Ways and Means forecast,

March 1915.

In my note of 16th December 1914, I estimated the closing balance for the current financial year at 15.92 lakhs after making allowance for a deficit under service heads due to anticipated loss of revenue from sandalwood etc., amounting to 25.63 lakhs and a net outflow of cash under debt heads amounting to Rs 10.00 lakhs.

2. The revision which this estimate now requires may be summarised as under;

Decrease in Land Revenue estimate. (At the rate at which it is now being realised, the total collections for the year cannot go beyond 103 lakhs as against the budget estimate of 106.40)		- 3.40
Increase over excise revenue estimate. Revenue, so far collected, indicates that the current year's revenue will not be less than 52 lakhs as against 46 lakhs estimated in the budget.		+6.00
Against the estimate of 13.43 on account of the Bangalore Assigned Tract surplus revenue, taken in my note of 16th December 1914 as not expected to be realized, 9.23 will be received in a few days.		+9.23
Net increase of Revenue.	..	11.33

II. Expenditure Side.

Lapse of the grant for Bangalore Tramways	..	+6.00	..
Excess expenditure under IV Installation Cauvery Power Scheme	...	..	- 5.33
Lapse in the grant for Railways.	...	+3.71	..
Do for Cauvery Reservoir and allied works		+8.00	..

* For this, the Chief Electrical Engineer says that he has submitted for sanction a revised estimate.

(3

11.83

* 9L is since learnt That The Lapse will be 3.00 lakhs.

Lapse for Public Works (Ordinary)	* +1.50	..
Net lapses.	+19.21	-5.33
	13.88	13.88

Note. 1) These lapses from and additions over the budget are expected by the Heads of Departments concerned.

Note 2). Additional grants sanctioned to the extent of 1.83 are expected to be neutralized by savings under other heads in the budget estimates which may be estimated at about 2 lakhs.

III. Debt Head Transactions.

Additional outflow of cash on account of deficiency in raising loans on account of the Kolar District Board Railway	-2.00	-2.00
Cash expected to be realised by sale of securities to the Controller of Currency for credit to the Madras & Southern Mahratta Railway Loan Sinking Fund.	2.00	
Net.		25.71

The cash balance on 1st July 1915 will therefore stand at (15.92 + 25.71)= 41.63 lakhs.

Or about 43 lakhs taking the P.W. Dept's lapse at 3 lakhs.

3. It cannot be now seen how the budget for the next year will stand. Estimating it to be about the same as in the current year in regard to the service heads, and leaving out of account the capital expenditure programme, we would require 80 lakhs to commence our operations for the next year on 1.7.1915 so as to carry us on to the next collection season. Rs. (80.00 - 41.63) 38.37 will, therefore, be required to supplement the cash balance between July 1915 - Feby 1916.

(4

4. According to the departmental budget estimates, the grants for the next year on account of capital programme are expected to be as under.

Railways.	33.00
Tramways.	6.00
Cauvery Reservoir and allied works	25.00
	64.00

(The Cauvery Power Scheme budget has not yet been received, but it is presumed that there will be no expenditure on account of the IV Installation as it is expected to be completed before the close of the current year).

Taking the proportion of these grants for the first 8 months of the year, we have to reserve about 42.00 lakhs on account of the outlay on these works to end of February 1916. Hence the total amount required to supplement our treasury balances during the 1st eight months will be Rs. (38.37 + 42.00) 80.37 or about 80.00 lakhs

5. It is not possible just at present to realise this amount by sale of securities. Though market rates are quoted in the newspapers and small transactions are reported, I am convinced, as the result of my enquiries at the Presidency Banks and also of eminent Brokers and financiers (like Sir Shapurji Broacha for instance), that there is no market for any large transactions in these securities at present, even if we were prepared

to

(5

to make some sacrifice. As soon as there are offers to purchase even at a rate of 1 or 2 per cent less than the average at which the notes have been purchased by us during the last 3 or 4 years (viz. about 96¾%) attempts will be made to dispose of as much securities as possible. But at present the funds required can be met only from loans from Presidency Banks.

6. The Bank of Bengal has offered ~~I~~ (in the interview which I had with the Secretary & Treasurer) to give us cash credits in even lakhs to the extent required, the rate of interest being the same as, and varying with, the declared Bank rate. The advantage of this offer is, that it enables us to draw from the Bank at any time we require to the extent necessary and also to pay back at any time any money for which we have no immediate use, so as to keep the amount of our liability as low as possible. We shall also not pay at any time more than the market rate of interest.

7 The Bank of Bombay has offered on the other hand (also at a personal interview with the Secretary & Treasurer) to give us loans to the extent required in sums of one lakh or more fixed for such periods not exceeding six months as may be required by us and at a fixed rate of interest. Each loan may be paid off or renewed at the Bank rate as it matures. In this case the loans may be so arranged as to be made ~~payable~~ repayable during the collection season.

8. With the Bank of Madras, we already have an arrangement for an overdraft on the Dewan's account on the security of Government of India Promissory Notes which, however, we have not yet had occasion to utilize. The present arrangement extends up to the end of March 1915 and contemplates an over-drawal up to 10 lakhs at the current rate of interest calculated on the daily balance. I propose addressing the Bank enquiring whether it would extend the period up to July 1916 and up to what amount it will be able to allow the overdraft to run.

9. In taking loans preference will be given to the Bank of Madras unless its terms are less favourable than those which can be got from Bengal and Bombay. It is more convenient for us to transact business with the Bank of Madras than with the other Banks. But the rate of interest charged by the Madras Bank is sometimes higher than in the other Banks. For this reason, and also because the amount required by us may be too large for a single Bank, it is well that we have financing arrangements ready with all the three Presidency Banks.

10. We shall have to begin borrowing in July or August 1915 next and go on taking fresh loans from month to month until the end of February 1916. From March 1916 onward we may be able to repay a part of the loan from the revenue collections. The average rate we shall have to pay for our loans, will be between 4½ to 5½ per cent and as we are already realizing on an average 3½ per

cent

G.H.7-14-27 8

Proceedings of the Government of H.H. the Maharaja of Mysore.

Read:-

The revised Ways and Means Forecast for 1914-15 and 1915-16 received with the Comptroller's letter dated 20th March 1915.

****

Order thereon No. H6584 & 10 May/15

The Comptroller states that as at present estimated the cash balance on 1st July 1915 is likely to be 41,63 lakhs and that for carrying on Treasury transactions and financing the special 'capital' works ~~on~~ in hand an additional sum of about eight lakhs is required in the first eight months of the next official year i.e. between 1st July 1915 and 29th February 1916.

2. He adds that in the present state of the money market securities to any large extent are unsaleable even at a loss and that the only way of obtaining the funds required is by borrowing from the Presidency Banks, that this course would involve the payment of interest at about 4½ to 5½% or 1 to 2% over the interest realised on the securities and that if approved he will set about making enquiries of the Presidency Banks as to the terms on which they are pre-

prepared to lend money to Government during this period.

3. Government generally approve of the Comptroller's proposals and his making enquiries of the Presidency Banks as suggested. The Comptroller will report to Government the result of his enquiries together with his definite recommendations ~~as a result thereof will be awaited~~ in the expected. He ~~should~~ keep Government informed ~~from time to time~~ of ~~also~~ any material alterations that may take place from time to time in the 'Ways & Means' situation.

Dy. Secretary to Government.

13/4/09

To

The Comptroller, Mysore Govt.

It is requested that in future communications on the subject, the No. and date of this letter, and the distinguishing letters below the number as given opposite, may be quoted and addressed to the Comptroller, Mysore Government.

DIARY, No. 109.

1915-16
SECTION G-P
FILE No. 71-9-14
G. O. No. 38

No. B. & R. 12 OFFICE OF THE COMPTROLLER, MYSORE GOVERNMENT.

Enc. 7 letters. *Dated Bangalore, the* 7th July 1915

FROM

Diwan Bahadur
J. S. CHAKRAVARTI, ESQ., M.A.,
F.R.A.S., etc.,
Comptroller to the Government of
His Highness the Maharaja of Mysore.

To

.....Esq.,

The *Secretary to the Government of Mysore,*
Financial .....*Department.*

SIR,

With reference to para 3 of Government Order No. Fl 6584/9 G.F. 71-14-27 dated 10th May 1915, directing that the Comptroller wil report to Government the result of his enquiries of the Presidency Banks in the matter of obtaining funds from them for financing the State treasuries and also any material variations in the Ways and Means Estimate, I have the honour to report that the cash balance on 1st July 1915 was about 69 lakhs. Cut of this 35 lakhs represent minimum balance to be always kept in treasuries and 34 lakhs amount available for disbursement.

2. The net out-goings from our treasuries every month from July 1915 to February 1916 may be estimated to amount to 12 lakhs per month as follows:---

Cauvery Reservoir ...	2.00 lakhs.
Other P.W. requirements...	2.00 ,,
Railway Construction ...	3.00 ,,
Bangalore & Mysore Treasury requirements. ...	4.00 ,,
Huzur Treasury requirements	1.00 ,,
	12.00 lakhs
In eight months 8 x 12--	96.00 lakhs.
1st instalment of subsidy in January 1916 ...	17½ lakhs.
Total outgoings during the period ...	113½ lakhs.

Deduct amount

Rec.—Gl. 17]

.....Department

19 .

FROM Diwan Bahadur.
J. S. CHAKRAVARTI, ESQ., M.A.,
F.R.A.S., etc.,
Comptroller to the Govt. of
H. H. the Maharaja of Mysore.

To

.....ESQ.,

The *Secretary to the Govt. of Mysore,*
..... Financial .....*Dept.*

Dated

Despatched 8 July 1915

Received 15/ & 7

No. B+R12.

Subject matter.

States that the cash balance on 1st July 1915 was about 69 lakhs. & Suggests that funds will be obtained as far as possible in the security of Govt of Dwia Promissory notes & that any cost to Government as to Charges

GPB—2,500—25-10-10

Sec's to G. F 144-38 (12

Copy of letter No. S.L. 144/991 dated 22nd May 1915 from the Secretary and Treasurer, Bank of Madras, Madras, to the Comptroller to the Government of Mysore, Bangalore.

I am in receipt of your letter No. 8529/B.& R. 1423 of 21st instant, and in reply have the honour to advise you that the Bank is agreeable to extend the period of overdraft arranged on the Dewan's account up to the end of March 1916.

I note that, as the aggregate demands of the Treasuries up till March 1916 will be about 80 lakhs, the limit of Rs. 10 lakhs arranged will have to be raised, and I shall be glad to meet the wishes of your Government as far as I can in the matter.

Please let me know <u>approximately</u> the maximum amount you are likely to require by way of overdraft, and about the date you expect this maximum will be reached. I do not anticipate any difficulty in arranging to privide for your full requirements, but of course you will understand that I cannot give any definite undertaking so far ahead.

I would prefer that as far as possible the security furnished should be in the form of Government of India promissory notes as under a recent provision these could if desirable be re-pledged to the currency.

Assistant Examiner,

Record Section, Comptroller's office.

Sec: to G. F 71-14-36 (13

Copy of letter No. 9081 dated 24th May 1915 from the Secretary and Treasurer, Bank of Bombay Bombay, to the Comptroller to the Government of Mysore, Bangalore.

In reply to your letter No. 8527/B&R 1422 dated 21st instant, I have the honour to inform you that the Bank will be very pleased to grant loans to His Highness the Maharaja of Mysore up to Rs. 50 lakhs against the security of Government of India Promissory Notes or the other securities mentioned in your letter, the rate of interest on the loans to be Bank rate for the time being and a margin of three per cent to be maintained on the market value of the securities.

We can arrange to give loans for fixed periods but it is usual in such cases to arrange demand loans, it being understood that the Bank will not call up the loans and that they will be allowed to run for any period agreed upon up to six months. This we are quite willing to arrange and we are also willing to renew the loans on the same terms at the expiry of the periods agreed upon,

The borrower will be the person in whose name the securities stand and the person who will sign the loan documents. In the event of the securities not being in the name of His Highness the Maharaja it will be necessary to have a letter signed by His Highness requesting the Bank to grant advances to the holder of the securities.

We will arrange to give the loans in any sums to suit your convenience and we note that should the security market regain its normal condition the need for further loans will cease and all outstandings will be adjusted by sale of securities.

Assistant Examiner,
Record Section, Comptroller Office

Encl to G.I.F- 71-14-36 (14

Copy of letter No. 222 dated 25th May 1915 from the Secretary and Treasurer, Bank of Bengal, Calcutta. to the Comptroller to the Government of Mysore. Bangalore.

I beg to acknowledge receipt of your letter No. 8528/ B.&.R. 1421 of 21st instant, the contents of which will, as requested, be treated as strictly confidential.

In reply I have to say that the Bank is prepared to make advances to the Government of His Highness the Maharajah of Mysore by way of cash credit on the security of Government Paper and Municipal and Port Trust Debentures to the extent of Rs. 50 lakhs at a rate of interest of Bank rate rising and falling therewith.

The securities must be endoresed over to, and lodged with the Head Office of the Bank here in Calcutta. It is noted that you will require Rs. 5 to 10 lakhs monthly commencing from the 1st August 1915, and that repayment will commence from about the midddle of April 1916, unless meanwhile the account is closed by sale of the securities.

Please be good enough to say where you will require payment of the money.

Srinivasachar

Assistant Examiner,

Record Section Comptroller's Office.

Enc: to G.F. 71-14-38

Copy of letter No. S.L. 144/1075 dated 8th June 1915 from the Secretary and Treasurer Bank of Madras, Madras, to the Comptroller to the Government of Mysore, Bangalore.

I have the honour to acknowledge receipt of your letter No. 9008-B.&R. 1483 dated 7th instant with reference to the arrangements for overdraft on the Dewan's account with our Branch at Bangalore.

As regards interest I agree to your proposal that in the event of our repledging any of your paper to the Government of India as security for a loan to us we shall charge you interest on the amount so borrowed at 1% above the rate at which the funds are obtained by the Bank from the Government of India.

The amount you advise us you are likely to require by way of overdraft is considerably larger than we anticipated as we gathered from your previous letter that Rs. 80 lakhs represented the aggregate demands of the Treasuries up to March 1915 and we assumed that against this you would receive collections to a considerable extent.

The Bank will be glad to meet your Government as far as possible but the limit to which we shall be able to go will I anticipate depend amongst other things on the success the Government of India meet with in floating their approaching loan. If they experience difficulty in placing on the market the full amount necessary for their purposes it is possible they may require to draw for their own use any sums available in the currency reserve and these funds will not then be available for advances to the Presidency Banks.

May I be permitted to suggest that in the existing circumstances it would be advisable to move cautiously in all matters of expenditure until the outlook in the money market become clearer.

Assistant Examiner,
Record Section, Comptroller's Office.

Enc: to G.O. F- 71-14-38 (1)

Copy of letter. No. 9123/B.&R. 1508 dated 11th June 1915 from the Comptroller to the Government of Mysore, Bangalore, to the Secretary and Treasurer, Bank of Madras, Madras.

I have the honour to acknowledge with thanks your letter No. S.L. 144/1075 dated 8th June 1915 regarding the arrangements for overdraft on the Dewan's account with your Branch at Bangalore.

2. With reference to the interest payable on the overdraft my suggestion that the maximum rate of interest, may, for purposes of this transaction be fixed at 1% more than the rate charged by the Government of India on their advances to Presidency Banks, did not contemplate any difference, between loans from your Bank funds or from funds advanced to the Bank by the Government of India. For owing to the convenience, the Bank has, of obtaining funds from the Government of India, any payment which the Bank might have to meet for the time being from its own funds could be recouped almost immediately from the Currency if the Bank desired.

I therefore request that the Bank may agree to the ~~xx~~ terms proposed by me viz., to fix the maximum rate of interest payable by Mysore Government at the Bank rate subject to the maximum of 1% more than the rate at which funds are advanced by the Government of India to Presidency Banks from the currency.

Srinivasa Rao

Assistant Examiner,

Record Section, Comptroller's Office.

SDV

ಇಂಟರ್ ಸ್.ಫೈ: 71-44-38 (18

Copy of letter No. S.L. 144/1116 dated 12th June 1915 from the Bank of Madras, Madras, to the Comptroller to the Government of Mysore, Bangalore.

I have the honour to acknowledge receipt of your letter No. 9/23 of 11th instant and in reply I regret I am unable to modify the terms quoted in my S.L. 144/1075 dated 8th June 1915.

Out terms are the Bank's minimum rate of interest for the time being subject to the condition that on any amount borrowed against re-pledge of security pledged by your Government our charge will be 1% more than the rate charged us by the Government of India.

Assistant Examiner,

SDV

Record Section, Comptroller Office.

REVISED WAYS AND MEANS NOTE

FOR

THE YEAR 1914-15

AND

A ROUGH FINANCIAL FORECAST

FOR THE

TRIENNIUM COMMENCING WITH THAT YEAR.

Dated 16th December 1914.

REVISED WAYS AND MEANS NOTE FOR THE YEAR 1914-15 AND A ROUGH FINANCIAL FORECAST FOR THE TRIENNIUM COMMENCING WITH THAT YEAR.

WAYS AND MEANS, 1914-15.

The ways and means arrangements for the year 1914-15 were thus summarised in para 115 of the financial statement :—

	Rs.
Estimated opening cash balance on 1st July 1914	100,19
Add—surplus under service heads	21,46
Add—net inflow of cash under ordinary debt heads	9,12
Add—realisation of temporary investment	35,90
Total ...	166,67
Deduct—capital outlay on large productive works	*95,17*
Estimated closing balance on 1st July 1915	71,50

2. Owing to the financial and commercial disturbances caused by the European war these figures require material revision as shown below :—

	Rs.
Opening cash balance on 1st July 1914	101,07
Deduct—deficit under service heads	—4,00 (*a*)
Deduct—net outgoing of cash under ordinary debt heads	— 0,88 (*b*)
Add—realisation of temporary investment	+14,90 (*c*)
Total ...	111,09
Deduct—Capital outlay on large productive works	—95,17
Estimated closing balance on 1st July 1915	15,92

3. Statements explaining the changes under the heads marked (*a*), (*b*) and (*c*) in the foregoing paragraph are appended. (Statements A, B and C.)

4. In ordinary times it is necessary for us to begin the financial year on 1st July with a cash balance of 75 lakhs (*vide* Government Order No. Fl. 4275-84—G. F. 133-14-2, dated 19th March 1914). But this is not the amount necessary for working the treasuries on that date but the balance necessary to carry us over the deficit months up to the end of January following without extraneous help. It will be seen from what follows that during the course of the year 1915-16 we shall have to realise a large amount of our securities and as this process of realization can be spread over the whole year it would be necessary to begin the year only with such cash balance as may be sufficient to work the treasuries. This sum may be fixed at 40 lakhs. The calculations in para 2 above show that, to have a cash balance of 40 lakhs on 1st July 1915, a sum of about 25 lakhs will have to be realised during the course of the current financial year from our permanent investment in securities.

FORECAST FOR 1915-16.

5. Turning now to a rough forecast for the year 1915-16 I estimate the revenue at Rs. 258·50* lakhs and expenditure (excluding capital programme) at 262·37 lakhs. (*Vide* statements D and E attached.) This expenditure figure takes the ordinary Public Works grant at 30 lakhs only but includes 7 lakhs of special grants on the basis of the budget estimate of current year as per statement F. If additional grants to the extent of 3 lakhs and 2 lakhs respectively are given for minor tanks and anglo-vernacular and other school buildings (statement G), then the total expenditure will come to about 267 lakhs.

* *Note.*—In the revenue figures I have not taken into account anything on account of the Civil and Military Station surplus. If the declared arrears of about nine lakhs come in during the triennium, the situation will be slightly improved but not to such an extent as to modify the main conclusions arrived at in this note. As regards recurring surpluses in future years their accrual is too indefinite to be taken into account in these calculations.

6. The expenditure figure referred to in the foregoing paragraph practically provides for full expansion of all the departments according to the triennial forecast order of 17th June 1913 and in some cases for more. For the Education department, against a scale of expenditure of 16·60 lakhs expected in 1915-16 according to the forecast, the amount included (excluding 1 lakh for Village school buildings) is 18·63 lakhs. For the Agricultural and Industries department against 1·70 and 1·50 respectively as per forecast, the scales included are about 2·13 and 1·41 respectively. But no large lump sum grants beyond those indicated in statements F and G are included in the expenditure figure of 267 lakhs.

7. I append a statement (marked H) showing the approximate capital requirements for the year 1915-16, classified under two heads, *viz.*, (1) necessary and (2) optional. The total amount under these two heads is 111·65. It is thus seen that if the debt head transactions in 1915-16 result in equilibrium (an assumption which can be fairly made) the amount required from securities will be 8·50 lakhs under the ordinary budget and 111·65 lakhs for capital works or about 120 lakhs in all. If all of the works under the head "optional" in the capital programme be postponed, the total amount required to be realised by the sale of securities in 1915-16 may be taken at about 80 lakhs.

8. I may here refer to three schemes in connection with the development of the State on which considerable sums of money if available may be required to be spent in the near future. These are (*a*) the Mysore University scheme, (*b*) Subsidy to new industries on a large scale and (*c*) Bangalore and other city improvements. These schemes if undertaken may require the expenditure of a sum of 25 lakhs spread over the next five years. The addition to permanent recurring expenditure of the State involved by these schemes, excepting the first one, may be regarded as negligible. The expenditure figure of 267 lakhs does not include any provision for these schemes but in what follows I shall consider how far and under what circumstances funds can be found for these purposes during the triennium under consideration.

Forecast for 1916-17.

9. The forecast of revenue and expenditure during 1916-17 may at present be taken to be the same as that of 1915-16, excepting that the revenue from the Cauvery power scheme may be expected to be 3·50 lakhs higher, *i.e.*, 28·50 lakhs in all. The receipts under interest may be 3 lakhs lower but this may be expected to be made up by increase under other heads. The deficit in the ordinary budget will in that case be reduced to 5 lakhs.

10. If works not now contemplated are not added to the capital programme, the amount required for the capital programme in 1916-17 will be 40·24 lakhs as per statement I. Taking the deficit in the ordinary budget at five lakhs as in para 9, the amount required from accumulated or loan funds this year will be about 45 lakhs. But if the works under the second head, *viz.*, "optional" in statement H, are postponed in 1916-17 also, this figure will be reduced to about 13 lakhs.

Resource aspect of the operations during the triennium.

11. The net assets of Government at the present moment after deducting all liabilities are about 130 lakhs. This balance is expected to stand at 76 lakhs by the end of the current official year (*vide* statement J.) The net reduction of 120 lakhs in this balance during the year 1915-16, which will be necessary if the full capital programme indicated in statement H, is undertaken, will result in a *minus* Government Account balance of 44 lakhs on 1st July 1916. This in itself is unimportant if it be a mere temporary phase, for on that date we shall have with us deposits belonging to various funds aggregating about 225 lakhs. Specified portions of these as per statement K, aggregating 100 lakhs may be safely used for sometime on productive works and for working the treasuries.

12. But if the full capital programme indicated in statement H is undertaken in 1915-16, the situation will become unsound in 1916-17 without extraneous help. The year will begin with a *minus* Government balance of 44 lakhs, *i.e.*, this sum will have been utilised from deposits and the whole of the balance necessary for working the treasuries (40 to 75 lakhs) will have been drawn from the same source.

This will mean a drawal on the deposits to the extent of 84 to 119 lakhs, the maximum strain that can be safely put on them. To draw a further sum of 45 lakhs from the deposits (*vide* para 10) will undoubtedly weaken the position beyond safe limits. It is therefore clear that until and unless we decide on a policy of borrowing on a large scale and find facilities for giving effect to the policy, the optional items in statement H must be regarded as beyond our means during the triennium.

13. Let us review the resource aspect of the triennium, omitting the optional items in statement H. The year 1915-16 will close with a Government balance of (76—80*) or—4 lakhs. During 1916-17 therefore Government will be depending on the deposits for the whole of their working balance (40 to 75 lakhs) and also for about 13 lakhs necessary for meeting the deficit in the ordinary budget and for incomplete capital works (*vide* para 10). This will be a barely tolerable situation as it will mean a drawal on deposits to the extent of 4+13+(40 to 75) *i.e.*, 57 to 92 lakhs.

* *Vide* para 7.

14. It is also clear from the foregoing analysis that during the triennium funds cannot be provided for any of the schemes referred to in para 8. Even with the optional works in statement H postponed, we will be drawing on our deposit funds to a considerable extent (about 57 to 92 lakhs) in 1916-17. The only process by which funds for the three large schemes can possibly be secured will be a further drawal on the deposits. This I consider inadvisable because the schemes are essentially such as should be financed only from surplus revenues if any.

Cash aspect of the operations during the triennium.

15. In the current year, the 25 lakhs required will have to be obtained as loan from the Presidency Banks on the security of Government Paper or as an overdraft on our London Bankers as sale of securities to this extent will not be advantageous (may be even impossible) during the next few months.

16. For the 80 lakhs that will be required during the next financial year, sale or loan will have to be resorted to according to circumstances which may prevail. If rates of interest be heavy, sale even at some sacrifice will be preferable. But as sale will only be gradual, arrangements will have to be arrived at with various financing bodies for supply of cash on the security of gilt-edged paper up to about a crore.

17. It is too early as yet to make any effective forecast as to what our cash arrangements are to be for 1916-17. The operations of the previous year are expected to leave a balance of about 40 lakhs in the treasuries on 1st July 1916. If circumstances are favourable we should try to attract deposits or raise an internal loan. If such operations are not possible, a further sale of securities to the extent of about 40 lakhs will be necessary to keep treasuries in funds in the deficit months of the year.

18. The amount of our securities at the present time is about 256 lakhs. According to the foregoing forecast we shall have to sell 25+80+40 or 145 lakhs in the years 1914-15, 1915-16 and during the first seven months of 1916-17 respectively. This will leave with us in February 1917 about 111 lakhs. This is about the minimum which we require against the various liabilities referred to in statement K. A further drawal on these either for the optional works of statements H and I or for the schemes referred to in para 8 or in fact for any other purpose cannot in my opinion be thought of.

Summary of conclusions.

19. (*a*) The capital works under the head "necessary" in statements H and I can be financed during the triennium from the funds at our disposal.

(*b*) The capital works under the head "optional" in statements H and I and the schemes referred to in para 8 cannot be so financed.

(*c*) The works and schemes referred to in (*b*) should not therefore be taken up until the prospect of borrowing on satisfactory terms is assured. Even then, only such of the works and schemes should be sanctioned as ought to be financed from borrowed funds.

(*d*) Even for financing the works referred to in (*a*) we shall at certain periods have to draw upon our deposits to the extent of about 92 lakhs.

(*e*) To carry on the programme referred to in (*a*) we shall have to raise by the sale or mortgage of securities funds to the extent of 25, 80 and 40 lakhs respectively in the three years beginning with the current year, *viz.*, 1914-15.

(*f*) The sales referred to in (*e*) will leave us just sufficient securities for the minimum reserves we should keep against our liabilities. Steps should be taken from 1917-18 onwards to strengthen the reserves and accumulate a Government balance for working the treasuries.

Dated Bangalore,
the 16th December 1914.

J. S. CHAKRAVARTI.

Statement A.

Statement showing how the budget surplus of 21·63 for 1914-15 is likely to be converted into a deficit of 4 lakhs.

Budget surplus			21·63 as finally approved by Government
Deduct—			
1. Anticipated fall in sandalwood revenue	10·00		
2. Surplus revenue of Bangalore assigned tract (not expected to be realised during the year)	13·43		
3. Anticipated fall in Railway Revenue ...	2·20		
		25·63	
Net deficit ...			4·00 lakhs.

Statement B.

Statement showing how the net in-flow of cash of 9·12 anticipated under debt heads in 1914-15 is likely to be converted into an out-flow of cash of 0·88 lakhs.

	Amount estimated in the Ways and Means estimate	Anticipated increase or decrease	Net amount	Brief reasons for variations
Unfunded debt ...	+4·35	−12·00	−7·65	Withdrawals of Savings Bank deposits.
Permanent debt ..	−0·10	.....	−0·10	
Deposits and advances ...	+5·29	.....	+5·29	
Advances and loans ...	−0·46	−2·00	−2·46	Extra grants for Takavi and Industrial Loans.
Guaranteed railways ...	+0·04	+4·00	+4·04	Probable receipt of share amount for Shimoga Railways.
Total ...	+9·12	−10·00	−0·88	

STATEMENT C.

Statement showing how the realisations of temporary investment of 35·90 anticipated in the Ways and Means estimate for 1914-15 is now converted into 14·90 lakhs.

A.—Anticipated realizations—			
1. Fixed deposits with the Bank of Madras:			
(*a*) Repayable in July 1914			20·00
(*b*) Do in May 1915			35·00
2. Fixed deposits with the Bank of Bombay:			
(*a*) Repayable in December 1914			13·40
(*b*) Do in January 1915			17·50
			85·90
B.—Deduct anticipated investments out of the above—			
1. Investment in Presidency Banks	45·00		
2. Deposit in the Mysore Bank	5·00		
			50·00
Net anticipated realization			35·90
C.—Expenditure to the extent of 71·00 as follows has to be incurred out of 85·90 instead of 50·00 as anticipated.			
1. Contribution towards War Fund			50·00
2. Do Imperial Relief Fund			2·00
3. Deposit in the Bank of Mysore			5·00
4. Investment in the Government of India Securities ...			9·00
5. Do in the Bombay Port Trust Debentures ...			5·00
Total ...			71·00
D.—Hence net amount likely to be realized (85·90—71·00)			14·90

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STATEMENT D.

Rough forecast of Revenue in 1915-16.

A. Principal Heads of Revenue—		Variations from the standard adopted for 1914-15 and brief reasons therefor.
I. Land Revenue ...	106·00	
II. Forest	15·00	—13·20 on account of anticipated fall in sandalwood.
III. Excise	46·00	
IV. Assessed Taxes	2·50	
VII. Stamps	10·00	
VIII. Registration	2·00	
Total ...	181·50	
A. A. Mining Revenue	19·00	
B. Surplus Revenue of Bangalore assigned tract. ...		—13·43. Provision made in 1914-15 is mainly for arrears due. Future surplus accrual indefinite.
B. B. Interest	8·00	—5·94 on account of anticipated sale of securities
D. Receipts by Civil Departments ...	5·00	
E. Miscellaneous	1·50	
G. Military Receipts	·50	
H. Railway Revenue Account	15·00	
K. Public Works	3·00	
L. Cauvery Power Scheme	25·00	(+7·50 on account of insurance at £2 for 10,000 H. P. and for fresh power of 2,500 H. P. at £12.)
Total ...	258·50	

STATEMENT E.

Rough forecast of Expenditure in 1915-16.

A. Direct demands on the Revenue	...	35·78	Extent of variations from the standard adopted for 1914-15 and brief reasons therefor.
A. A. Charges against Mining Revenue	...	2·40	
B. B. Interest ...	...	5·64	+1·00 Interest on the anticipated borrowings.
C. Palace ...	...	23·40	
D. Salaries and expenses of Civil Departments.		71·19	+1·50 Increase under Education.
E. Miscellaneous Civil charges ...	...	18·45	
G. Army and Defence ...	...	51·00	+0·30 For purchase of fresh horses, etc., that may be required to replace old ones.
F. Famine Relief and Insurance...	...	3·33	
H. State Railways Revenue Account	...	8·18	
J. & K. Irrigation and Civil Works	...	30·00	—5·05 Provision is made only for normal grant of 30·00.
K. K. Capital outlay on State Railways	...	4·00	+0·42 For probable increase.
L. Cauvery Power Scheme ...	...	9·00	+0·74 On account of IVth Installation charges.
Total	...	262·37	

STATEMENT F.

Special grants included in the budget for 1914-15.

Likely to be repeated in subsequent years.

1.	Grant-in-aid to Local Funds for Village Improvements	2·00
2.	Do for sinking water wells in villages ...	1·00
3.	Do for Malnad Improvements	1·00
4.	Building grant to Village School Fund...	1·00
5.	Special grants to Agricultural and Industrial Departments	1·00
6.	Special grants to Municipalities, etc.	1·00
	Total ...	7·00

STATEMENT G.

Special large items sanctioned or proposed to be sanctioned by Government.

1.	Additional grant for Minor tank restoration scheme	3·00
2.	Grant for buildings of Anglo-Vernacular and other schools	2·00
	Total ...	5·00

STATEMENT H.

Capital requirements for 1915-16.

i) Necessary—

1. Cauvery Reservoir	...	9·10
2. Do Canals	...	8·00
3. Mysore-Arsikere Railway	...	30·00
4. Kolar-Chikballapur and Bangalore-Chikballapur Railways	...	5·90
5. Shimoga Railway	...	17·00
Total	...	70·00

) Optional—

1. Bangalore Tramway	...	1·85
2. Bangalore-Hosur Railway	...	2·50
3. Kadur-Chikmagalur Railway	...	8·00
4. Chitaldrug-Chickjajur Railway	...	4·30
5. Hassan-Mangalore Railway	...	25·00
Total	...	41·65
Grand Total	...	111·65

STATEMENT I.

Capital grants that may be required for 1916-17, for works started in 1915-16 but not completed.

i) Necessary—

1. Opening Canals, etc., in connection with Cauvery Reservoir Works	...	8·04

) Optional—

1. Kadur-Chikmagalur Railway	...	8·00
2. Chitaldrug-Chickjajur Railway	...	4·20
3. Hassan-Mangalore Railway	...	20·00
Total	...	40·24

STATEMENT J.

Statement showing the probable Government balance in the middle of December 1914 and on 1st July 1915.

		Rs.
Government balance according to the Financial Report for November 1914	...	170·23
Deduct—		
Payments on account of war contribution in November and December	34·00	
Net out-goings in November 1914,	about 6·23 ...	40·23
Net on 15th December 1914		130·00
Government balance on 1st July 1914 as per Statement B attached to Dewan's Dasara Address of 1914	...	227·87
Deduct—		
Budget deficit	4·00	
Capital outlay	95·17	
War contribution	52·00	
... ...		151·17
Balance on 1st July 1915	...	76·70 or roughly 76 lakhs.
...		

STATEMENT K.

Statement showing chief items of deposits on 1st July 1916 and the extent to which such deposits can be safely used for Government purposes.

Name of Fund	Estimated balance on 1st July 1916 and percentage which can be temporarily utilised as working balance		Amount
	Rs.		Rs.
Insurance Fund	34	75 per cent	25·50
Cauvery Power Depreciation Fund	34	50 do	17·00
Permanent debt	27	Whole, less Sinking Fund	13·50
Famine Insurance Fund ...	20	No part	
Savings Bank Deposits ...	60	50 per cent	30·00
Other Deposits	50	25 do	12·50
Total ...	225 lakhs		98·50 or say 100 lakhs